



**China Telecom (Hong Kong) Ltd.**

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# **1999 Annual Results**

**China Telecom (Hong Kong) Ltd.**

**April 13, 2000**



# Management Team

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- **Mr. Wang Xiaochu**      **Chairman**  
**Chief Executive Officer**
  
- **Mr. Li Ping**      **Vice Chairman**  
**Chief Operating Officer**
  
- **Mr. Ding Donghua**      **Director**  
**Chief Financial Officer**



# Agenda

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- **Business Achievements in 1999**
- **Operational Performance**
- **Financial Highlights**



# Key Milestones in 1999

**S&P's BBB and  
Moody's Baa2 Rating**

**Global Offering  
and Acquisition**

**1999**

**More than 15 million  
Subscribers**

**Improved Operating  
Fundamentals**



# Acquisition of 3 Mobile Networks

✓ **EBITDA Forecast**  
**Achieved**

**5.343 Bn RMB**

**5.454 Bn RMB**

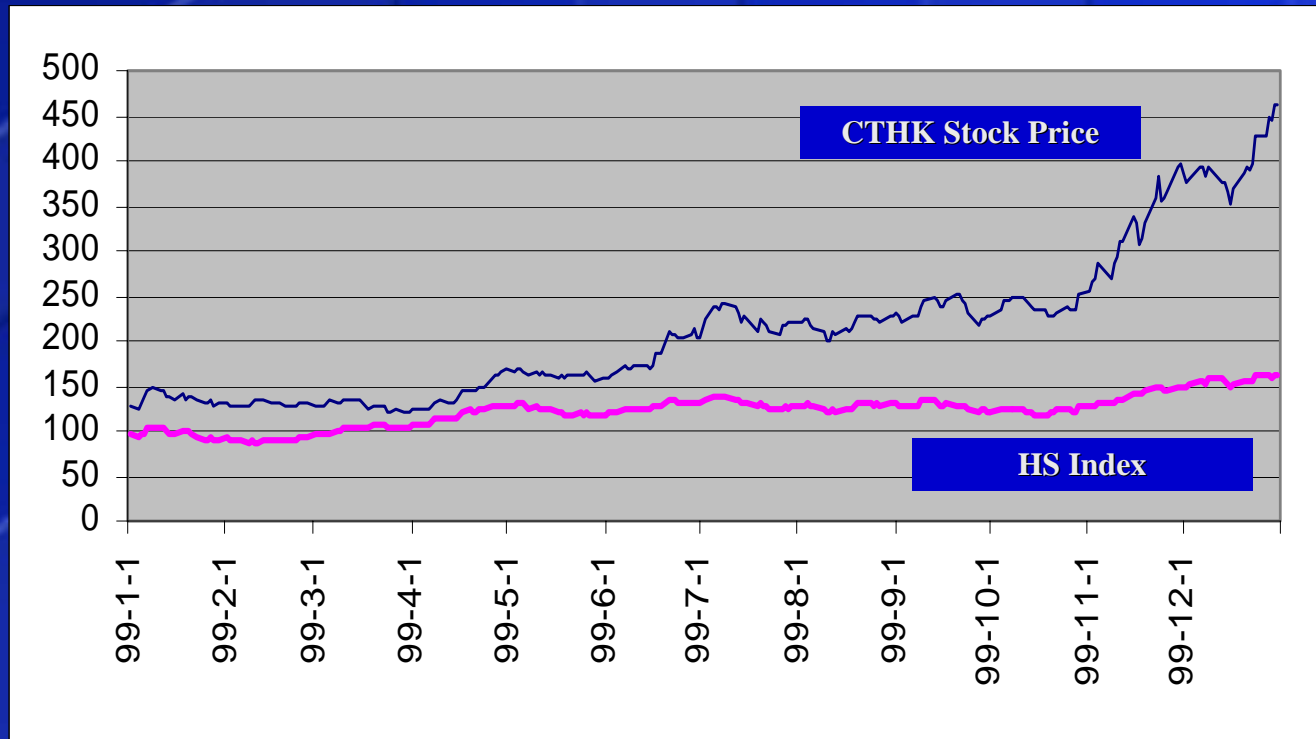
✓ **Net Profit Forecast**  
**Achieved**

**2.475 Bn RMB**

**2.566 Bn RMB**



# Our Stock Price Performance



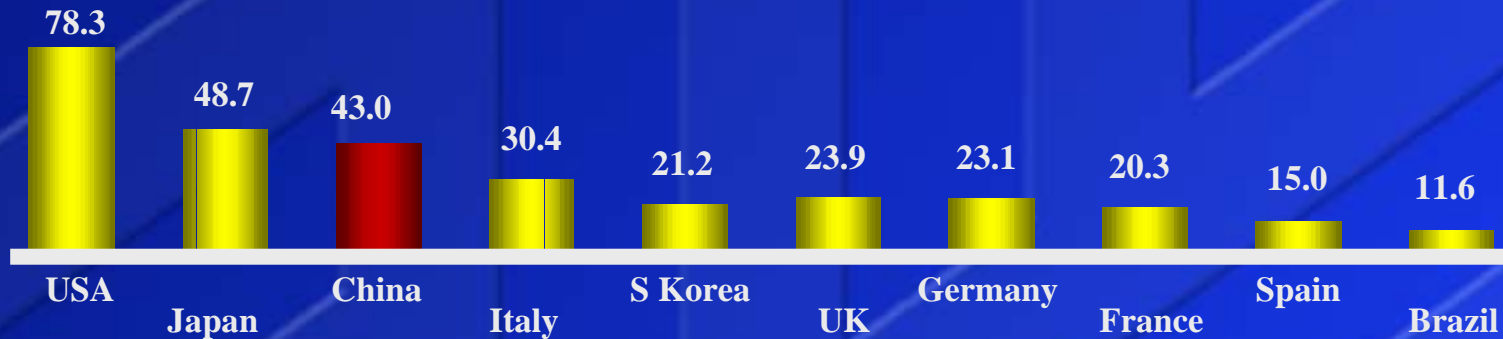
Note: Based on the IPO price, with the HS Index on the date of IPO as 100 points



# One of the largest cellular companies in the world

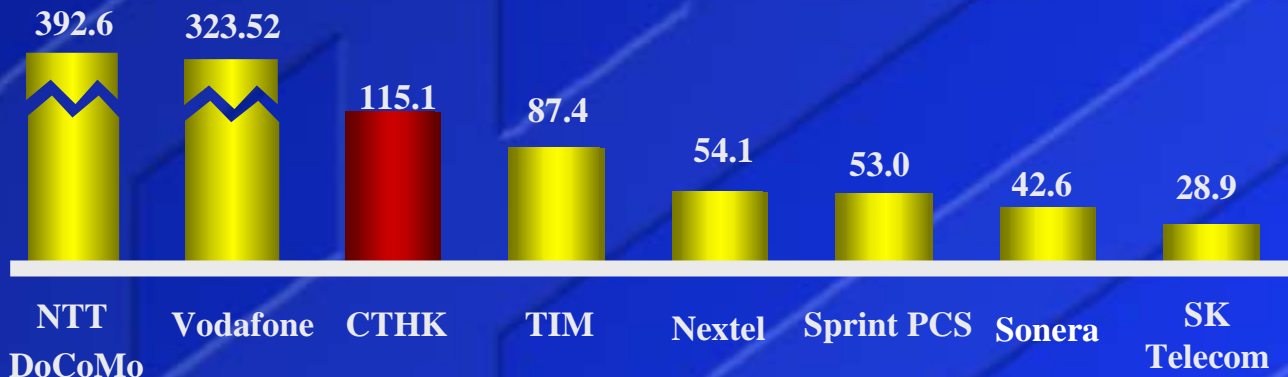
## 3<sup>rd</sup> Largest Global Mobile Market<sup>(a)</sup>

Mobile Subscribers (mm)



## 3<sup>rd</sup> Largest Mobile Company in the World<sup>(b)</sup>

Bn US\$



(a) As of Nov 30<sup>th</sup> 1999

(b) As of 10<sup>th</sup> April 2000





# **Improved Operating Fundamentals**

- ✓ **Realized synergies from the acquisition**
- ✓ **Managed Churn Rate and Bad Debt**
- ✓ **Increased Network Utilization and Workforce Productivity**
- ✓ **Improved IT Systems ( BOSS , ERP )**



# **Corporate Governance**

- ✓ **Improved Corporate Governance and optimized the organizational structure**
- ✓ **Enhanced Internal Controls and Risk Management**
- ✓ **More performance-based employee incentives**



# **WTO: Challenge and Opportunity**

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- **Increase overall market demand and expand China's telecommunications market**
- **Promote regulatory transparency, fairness and efficiency**
- **Emphasize first-mover advantages**



# Growth Strategy

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## External Growth:

**Acquire more quality mobile assets in mainland China**

## Organic Growth:

- **Expand revenue streams**
- **Manage costs**
- **Profit planning**
- **Maximize shareholder value**



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# Operations



# Operating Highlights

Operating Highlights	1998	1999
Total Number of Subscribers (mm)	9.056	15.621
Subscriber Growth	63.2%	72.5%
Market Share	95.4%	87.4%
Churn Rate	3.58%	4.59%
<hr/>		
Total Usage (bn. min)	34.89	56.16
MOU (min)	398	383
ARPU (RMB)	405	318
AUPU (RMB)	253	214
Nominal Network Capacity (mm)	13.20	17.19
Penetration Rate	2.95%	5.50%

(Note: Above data is in Pro Forma basis)



# Impressive Growth

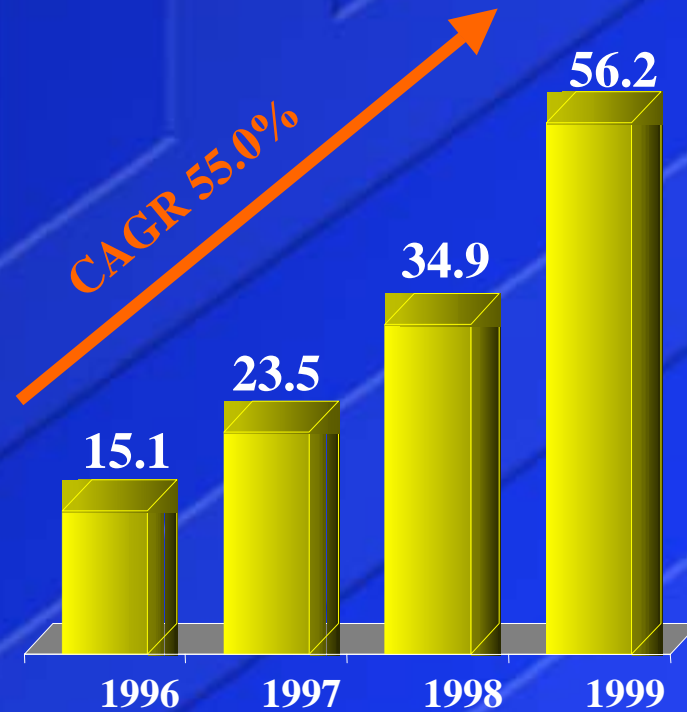
## Subscribers

('000)



## Total Usage

(Billion min.)



Note: Above data is in Pro Forma basis

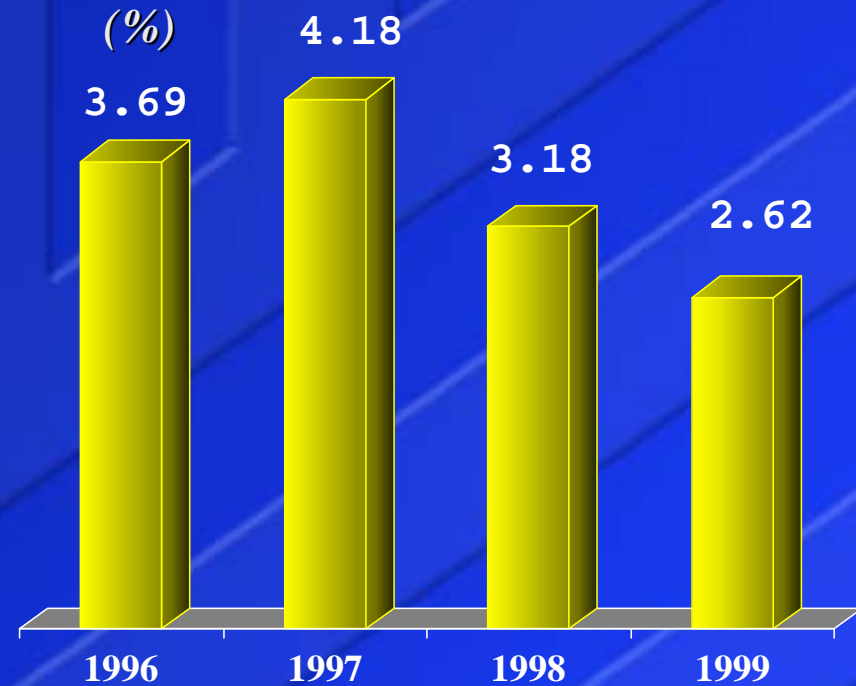


# Churn and Bad Debt

## Churn Rate



## Bad Debt Ratio



Note: Above data is in Pro Forma basis

Churn Rate = Annual cumulative churn / Average number of subscribers

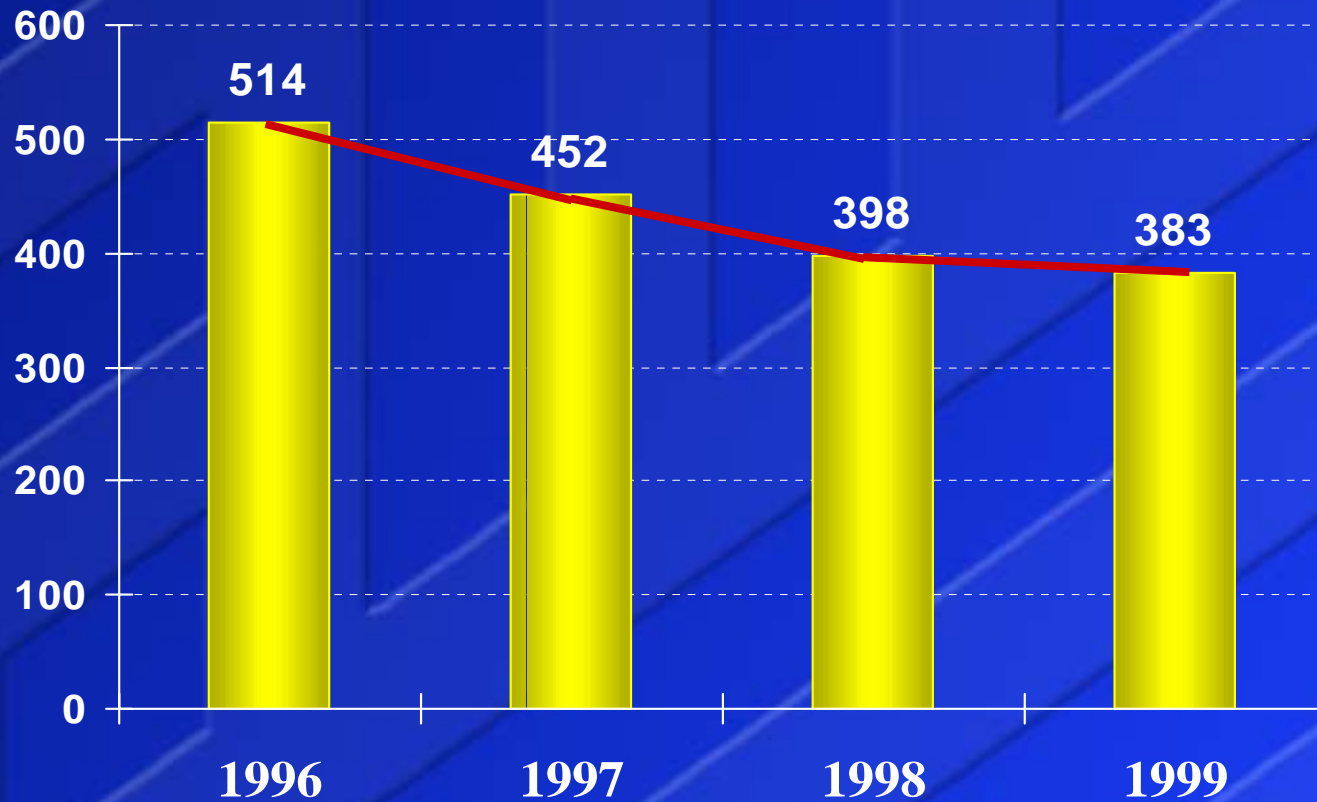
Bad Debt Ratio = Bad debt / Revenue excluding connection fees





# Minutes Of Usage (MOU)

(Min.)



Note: Above data is in Pro Forma basis



# **Capturing Synergies**

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- **Realizing economies of scale**
- **Reducing leased line expense**
- **Sharing management and technological expertise**
- **Enhancing employee productivity**
- **Extensive employee training**



# **More to Come**

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**Now**

**Wireless Data based on  
SMS Platform**

**2000**

**2.5G WAP and GPRS**

**Next**

**3G Wireless Broadband**



# **Write-down and Write-off of TACS Network**

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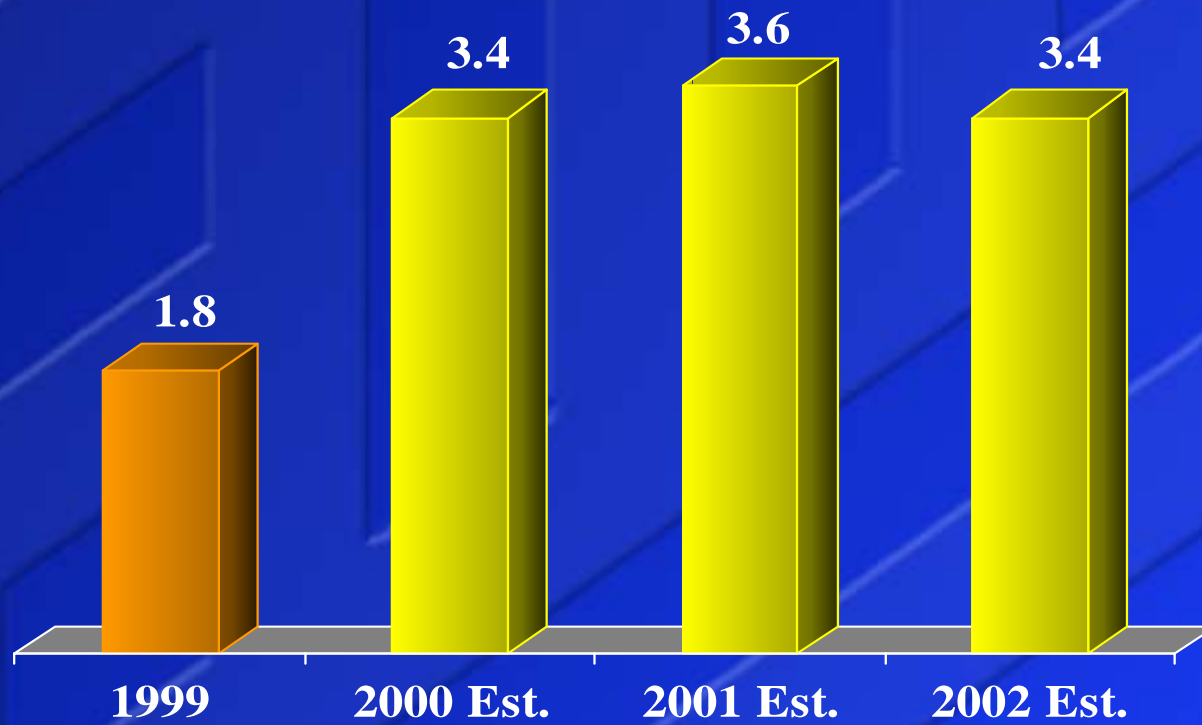
*(Billion RMB)*

<b>TACS system net book value prior to write-down and write-off</b>	<b>9.767</b>
<b>Write-down and write-off</b>	<b>8.242</b>
<b>Net book value of TACS system after write-down and write-off</b>	<b>1.525</b>
<b>Total net book value of fixed assets after write-down and write-off</b>	<b>42.699</b>



# Investing for growth

*(Billion US Dollar)*



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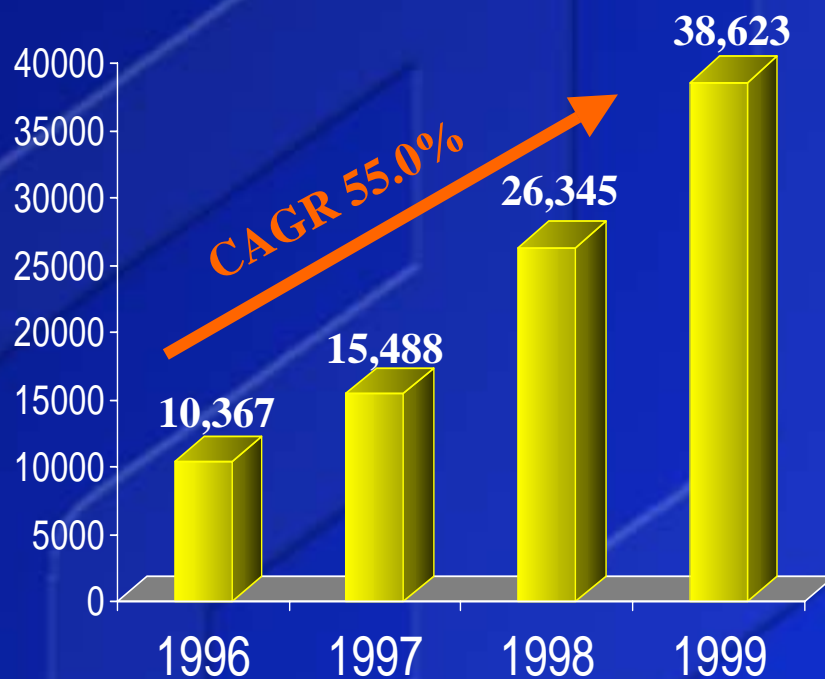
# Financial Highlights



# Revenue and EBITDA

## Revenue

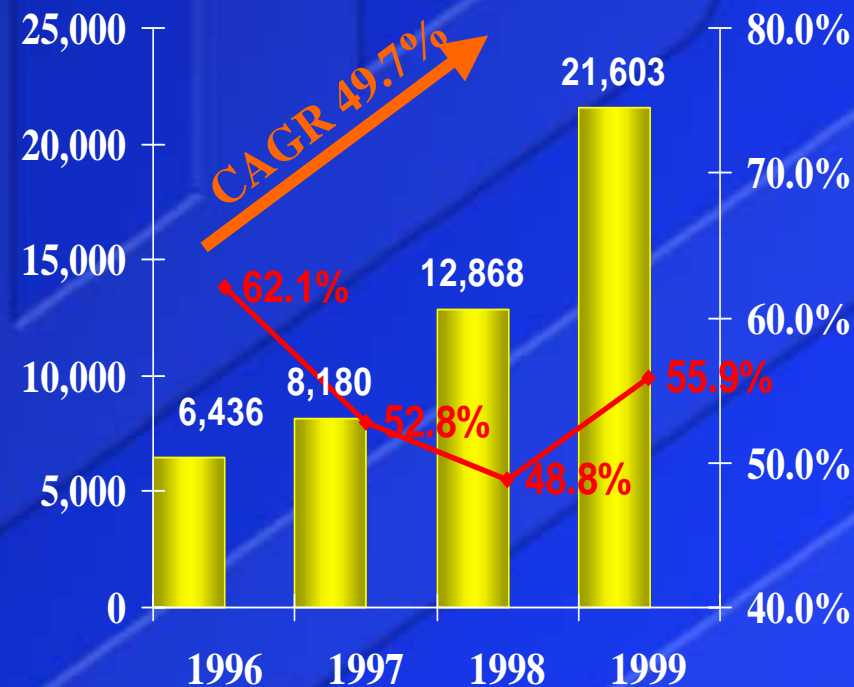
(RMB Million)



## EBITDA

(RMB Million)

(EBITDA Margin)

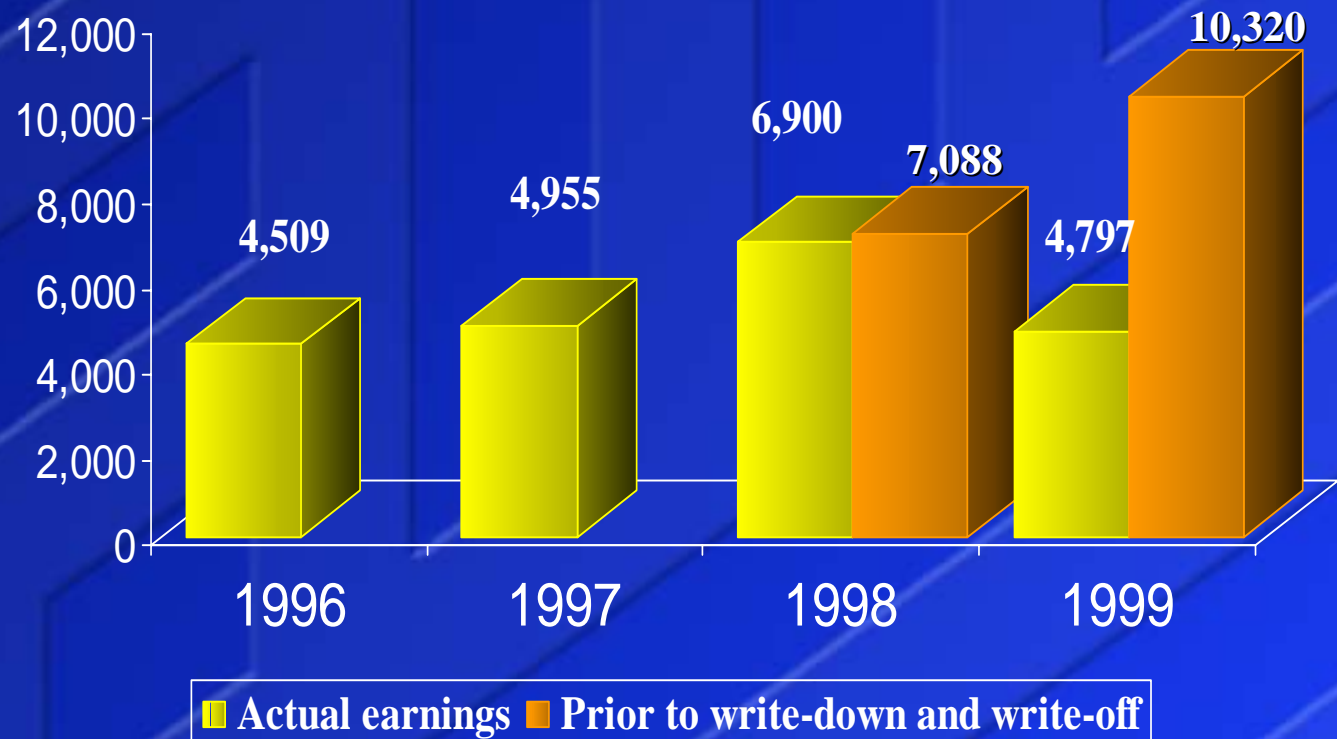


Note: Data of 1996 and 1997 are Pro Forma of GMCC and ZMCC



# Net Profit

(RMB Million )



Note: Data of 1996 and 1997 are Pro Forma of GMCC and ZMCC





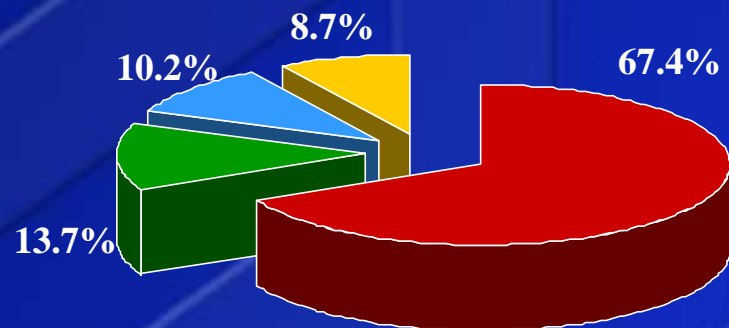
# Operating Revenue and Expenses

	1999 Actual		1999 Pro Forma	
	(Mm. RMB)	(%)	(Mm. RMB)	(%)
<b>Operating Revenue</b>				
Usage Fee	25,812	57.91	31,442	41.83
Monthly Fee	4,981	14.57	6,371	10.70
Connection Fee	4,319	29.97	4,771	0.40
Others	3,511	50.72	4,057	42.90
	38,623	46.60	46,641	31.32
<b>Operating Expenses</b>				
Leased line	3,723	-4.96	4,690	-9.04
Interconnections	6,453	35.78	7,683	39.39
Depreciation and Amortization	7,411	61.17	9,130	39.01
Personnel Expenses	2,256	41.40	2,476	40.11
SG&A	5,140	44.87	6,457	15.44
	24,983	35.69	30,436	23.69
<b>Operating Income</b>	<b>13,640</b>	<b>71.92</b>	<b>16,205</b>	<b>48.53</b>



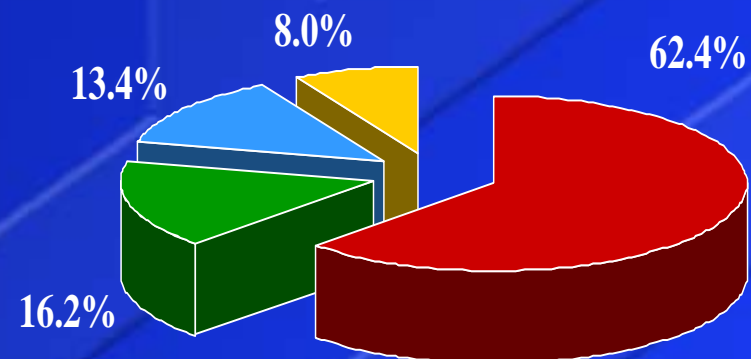
# Revenue Mix

**1999 ( Pro Forma )**



**Total Rev. 46,641 Million RMB**

**1998 ( Pro Forma )**



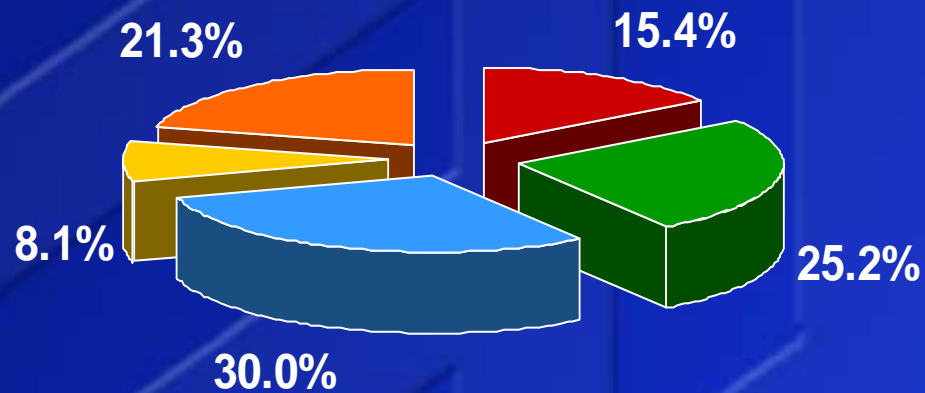
**Total Rev. 35,516 Million RMB**

■ Usage Fee ■ Monthly Fee ■ Connection Fee ■ Others



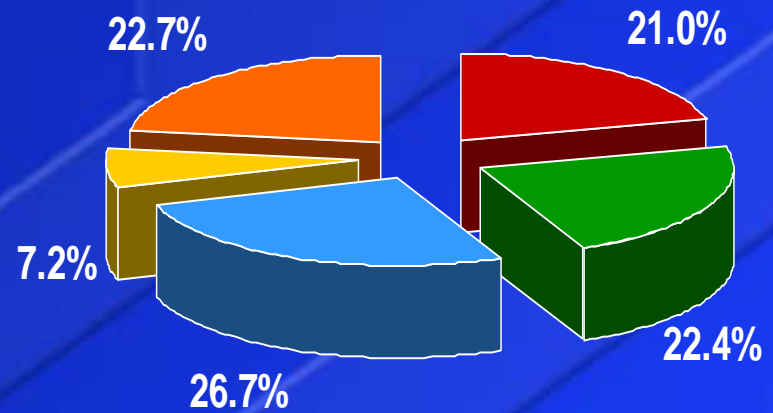
# Expense Analysis

**1999 ( Pro Forma )**



**Total Expenses 30,436 Million RMB**

**1998 ( Pro Forma )**



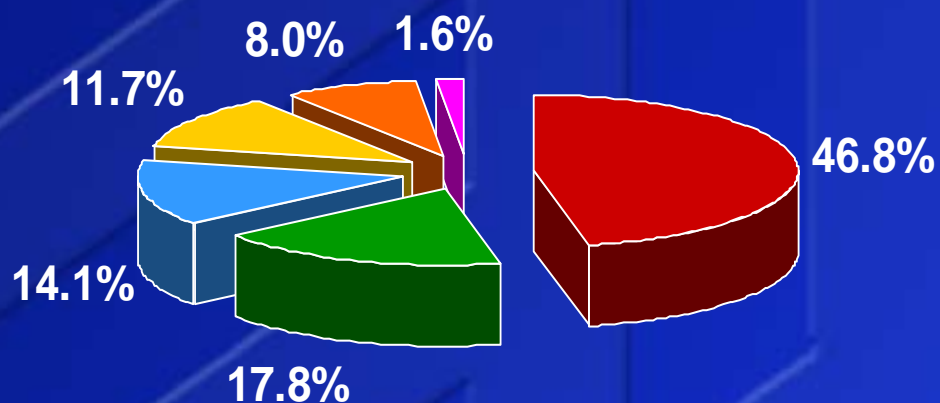
**Total Expenses 24,606 Million RMB**

■ Leased Line ■ Interconnection ■ Depreciation ■ Personnel Expenses ■ SG&A



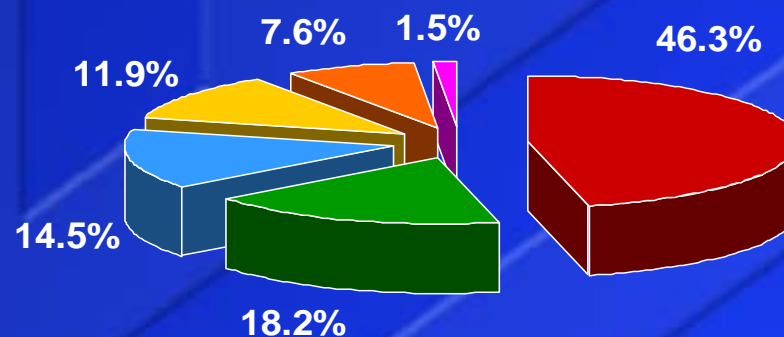
# Contribution by Subsidiary

1999 ( Pro Forma )



Total Revenue 46,641 Million RMB

1999 ( Pro Forma )



Total EBITDA 25,954 Million RMB

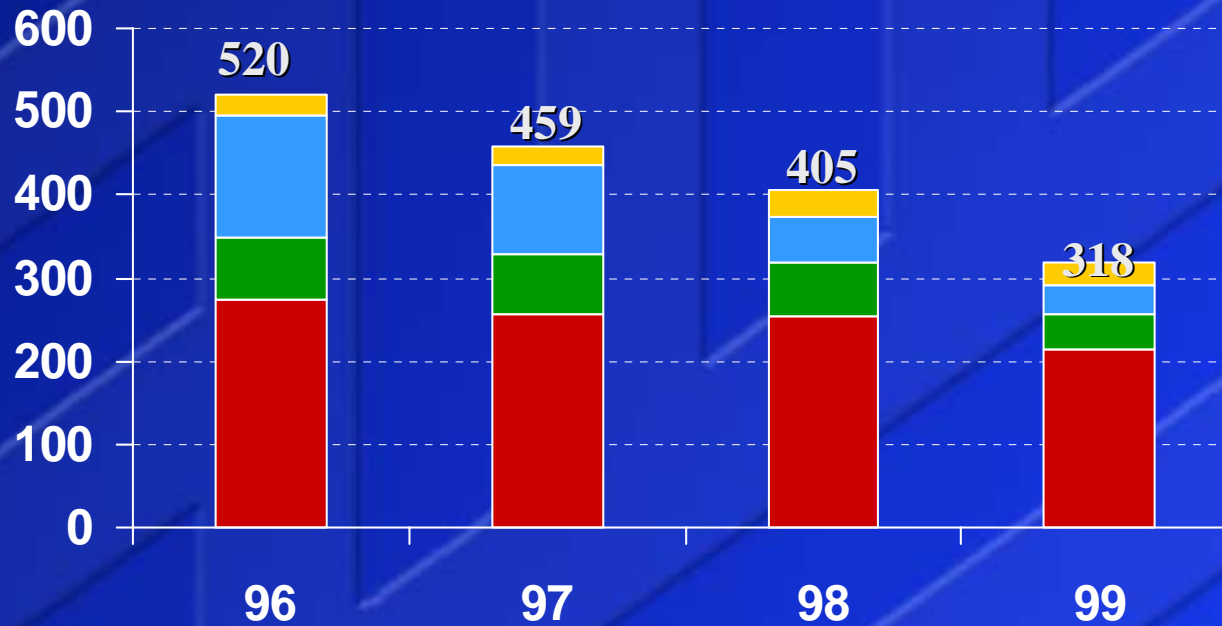
■ Guangdong   
 ■ Zhejiang   
 ■ Jiangsu   
 ■ Fujian   
 ■ Henan   
 ■ Hainan



# ARPU Analysis

(RMB)

(Pro Forma)



■ Usage Fee      ■ Monthly Fee  
■ Connection Fee   ■ Others



# Capital Structure

	December 31st	
(Million, RMB)	1999 Actual	1998 Actual
Short Term Debt	6,199	5,337
Long Term Debt	7,285	991
Total Debt	13,484	6,328
Shareholders' Equity	57,092	45,843
<b>Total book capitalization</b>	<b>70,576</b>	<b>52,171</b>
<b>Total Debt/Total book capitalization</b>	<b>19.11%</b>	<b>12.13%</b>
Cash, bank bal. and deposits	27,576	18,792
<b>Net Cash / (Net Debt) Position</b>	<b>14,092</b>	<b>12,464</b>



# Strong Financial Profile

	99 Actual	98 Actual
➤ <b>EBITDA / Interest</b>	<b>63.00X</b>	<b>80.55X</b>
➤ <b>EBITDA - CAPEX / Interest Expense</b>	<b>28X</b>	<b>11X</b>
➤ <b>Total Debt / Capitalization</b>	<b>19.11%</b>	<b>12.13%</b>
➤ <b>Total Debt / EBITDA</b>	<b>62.42%</b>	<b>49.18%</b>



**China Telecom (Hong Kong) Ltd.**

**A World Class**

**Multi-media Wireless**



**Services Provider !**